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The Jacobs Report

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BUDGET NEGOTIATIONS STALL

Early last week, the Senate canceled session through the August 3 primary. The House also canceled session through June 22, and it will likely scrap session for the rest of the month because of the Democratic National Convention.

In a twist that would have been unexpected only a few weeks ago, the stalemate has resulted not from a dispute between Democratic Governor Jennifer Granholm and the Republican-controlled Legislature. Rather, the Republican-led House and Senate are caught in a stalemate over how to handle a bill increasing the casino tax and the racino bill that would authorize slot machines at the state's horse racetracks.

The governor has suspended formal budget negotiations until House Speaker Rick Johnson (R-LeRoy) and Senate Majority Leader Ken Sikkema (R-Wyoming) can reach a compromise on how much to raise the casino tax, which would produce at least \$50 million in new revenue for the budget. The House has called for doubling the tax while the Senate prefers a 33 percent increase.

The budget process now extends into August, something that has not happened since the 1970s. The administration and lawmakers have until the last day of the current fiscal year (September 30) to enact a budget for the next fiscal year.

MICHIGAN HORSE TRACKS RACING UPHILL

Much of this year's budget stalemate is the result of stalled racino legislation that would authorize slot machines at the state's horse racetracks. Backers of racinos want the House, which is more sympathetic to their cause than the Senate, to delay passing a casino tax increase until the racino bill passes both chambers. Racino supporters fear the Senate will abandon their bill if the casino tax increases passes the Legislature first. Proponents have held out hope that Speaker Johnson would keep the tax bill in conference committee until the racino legislation was signed into law.

But that apparently won't be the case. "The Speaker has always said that he wouldn't hold up the budget for racinos," said Johnson spokesperson Keith Ledbetter. "If we reached agreement on the casino tax he'd vote for it. But he's just one vote. It's questionable whether the casino tax could pass if those supporting casinos vote no along with members who want to see us make cuts."

Further complicating the casino tax hike, HB 4612, is the fact that it would require a three-fourths (83 votes) majority to pass because it changes the state gaming law. That means that only 27 "no" votes would kill it. In lieu of its passage, cuts would be needed to balance the budget.

Rep. Larry Julian (R-Lennon), the lead supporter of the racino bill, met last Monday with senators and Senate staff in an unsuccessful search for compromise on the issue.

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Sikkema spokesperson Bill Nowling said the impasse on racinos is affecting the entire budget. "In the Senate, we've passed out a balanced budget with a moderate increase in revenue and the rest in cuts," he said.

Hazel Park City Manager Ed Klobucher wasn't sympathetic to Nowling's lament. "The impasse on racinos is affecting my entire city," he said. "The state budget? I envy the options the Legislature has in front of it. Come look at Hazel Park. We have no options. We're \$100,000 away from disaster. All we're asking for is the ability to compete with Detroit's deep-pocketed casinos, and the state can't even give us that."

Hazel Park, like many older suburban municipalities, has been hit hard by the unintended consequences of Proposal A and the Headlee amendment. Essentially, these two components of state law have conspired to smother the local tax base. "Every city union and employee group in the City of Hazel Park has made sacrifices for the last three years to maintain services for our residents," said Klobucher. "We have very few options left. Every mature, fully-developed city in Michigan is at risk, but for Hazel Park, that risk is especially acute because we have suffered a steep decline in raceway revenue."

"Hazel Park is a perfect example of a local government having no local control over its own destiny," said state Senator Gilda Z. Jacobs (D-Huntington Woods), who represents Hazel Park in Lansing. "It's been hit hard by policy decisions made in Lansing."

Ted Klein, a Chicago-based expert on American horse racing, agrees. "For decades, Michigan gave its horse tracks a monopoly on legalized gambling. Hazel Park agreed to take a track under those circumstances. Now, the Legislature won't give them the tools they need to compete with the lottery and casinos. Why not slot machines? Racino legislation kept the horse racing industry alive in Iowa and it's hard to argue that the jobs and infrastructure involved here aren't worth saving."

"The City of Hazel Park agreed to accept a horse track when the state asked," added Klobucher. "And Hazel Park accepted the fact that I-75 cut our city in half and robbed us of millions of dollars in tax base and several thousand residents. Hazel Park has accepted repeated cuts in racetrack funds through the years. Now, racinos are in jeopardy. I guess Lansing's next great plan for Hazel Park is receivership."

The Hazel Park Raceway served as a dual-breed facility from 1949 through 1984; and has hosted harness racing exclusively since 1985. The track's record for live handle and attendance occurred on July 12, 1975 when 15,372 patrons wagered \$1,425,478. The record \$2.00 payoff at any harness track was recorded at Hazel Park on September 17, 1988 when the "Twin-Super" wager (selecting in exact order, the first four finishers in two races) paid \$1,243,053.

In 1996, state legislation permitted full-card Simulcasting, enabling the track to virtually be open for business year round seven days a week, noon till midnight. In addition to live racing, patrons may view and wager on all major harness and thoroughbred tracks across the country.

"Michigan might want to consider off-track betting as a new revenue source," said Klein, noting that 1995 legislation has proven to be a boon for Illinois state coffers and the local racing industry.

Such options are limited in Michigan, were anti-competitive casino interests and anti-gambling conservatives form a strong alliance against gambling-related legislation.

"Why don't we just replace the Great Seal of the State of Michigan with the MGM Grand logo?" asked Klobucher.

"Anti-gaming conservatives are way out of the mainstream on this one," said Joe Disano of Lansing-based political consulting company Message Design Group. "Why do Christian conservatives from Grand Rapids and Holland have any right to say what happens in metro Detroit? What's next up their sleeves, a sin tax on dancing?"

Now, faced with a ballot proposal fueled by the casinos, racino proponents face an even steeper uphill battle. The ballot proposal, the "Let Voters Decide Yes" initiative, would require a majority vote from voters both at the state

and local level for any new casinos (as defined by the types of games offered) to be built within Michigan. The impetus behind the initiative is to neuter the racino legislation into futility.

Although there are many who believe the Let Voters Decide Yes initiative could be beaten (if enough money is put up against it) a persistent argument has been made that passing the racino bills before the November result would be like putting the cart before the horse. However, some lobbyists reportedly argued that passage of the racino bills would give interested groups more incentive to put up big money to stop the ballot proposal.

“This is out-of-control,” said Senator Jacobs. “It seems like everyone has a say in this issue except for the people who have the most to lose.”

GOVERNOR WANTS PUBLIC INPUT ON GREAT LAKES

Last week, Governor Jennifer Granholm joined seven Great Lakes governors and the premiers of Ontario and Quebec in announcing the beginning of a 90-day public review and comment period for draft agreements created to improve protection of Great Lakes waters.

“The Great Lakes define our state, and it is critical that we protect them,” said Granholm. “I encourage all of our citizens to examine this document and provide comments so we can be sure the final product is reflective of what is best for Michigan.”

To facilitate comments, Governor Granholm and the Office of the Great Lakes have announced a series of public comment opportunities to be held in August and September.

The documents were drafted in response to Congress and the federal amendments made to the Water Resources Development Act of 2000.

The governors and premiers have not endorsed the draft agreements.

The draft Annex 2001 Implementing Agreements are the result of three years of efforts by the Council of Great Lakes Governors’ Water Management Working Group to address Great Lakes Basin protection issues, including the diversion of water outside of the Basin and water uses within the Basin.

The need for this agreement was underscored by Ken DeBeaussiaert, director of Michigan’s Office of the Great Lakes and a member of the Water Management Working Group. “There are potential threats to the waters of the Great Lakes, and they promise to increase,” DeBeaussiaert said. “Our goal is to look ahead and take proactive steps to protect the Great Lakes environment for future generations. We hope that public comment will enable us to strengthen these documents and Michigan’s position to protect against these threats.”

Public meetings and a hearing will be held throughout the state to provide the public with the opportunity to comment on these important documents. The events have been scheduled as follows:

Public Meetings:

August 30, 2004	6:00 PM	St. Clair Shores
August 31, 2004	2:30 PM	Cheboygan
September 1, 2004	9:00 AM	Marquette
September 2, 2004	10:00 AM	Muskegon

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Public Hearing:

September 14, 2004 2:00 PM Lansing

Written comments are encouraged at any time during the 90-day public comment period through October 19. Comments can be mailed to:

Office of the Great Lakes
Constitution Hall - 6th Floor
P.O Box 30473
525 W. Allegan Street
Lansing, MI 48909-7973

Once the review period is complete and public comments have been taken into account, the agreements will be refined and presented to the governors and premiers for their evaluation and approval.

Specific measures in the draft implementing agreements include:

- a requirement that diversion proposals brought forward for joint review by the Great Lakes states and provinces need unanimous support for approval;
- a commitment to use a uniform, resource-based decision-making standard in evaluating future proposals for new or increased water uses;
- a commitment to a collaborative decision-making process for future proposals for regionally significant new or increased water uses;
- a requirement that all future or new increased diversions and regionally significant water uses in the Great Lakes Basin result in an improvement to the Basin's ecosystem; and
- a commitment that conservation and information programs will be put in place and maintained in all the Great Lakes states and provinces;

The Office of the Great Lakes has posted information on the draft Annex 2001 Implementing Agreements on their web site, including a message board for the public posting of comments related to the draft agreements. It is located at: <http://www.michigan.gov/annex2001process>.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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